

# PLACER COUNTY

## COMMUNITY DEVELOPMENT GRANTS AND LOANS

### MEMORANDUM

**TO:** Honorable Members of the Board of Supervisors  
**FROM:** Thomas M. Miller, County Executive Officer  
James LoBue, Deputy Director Redevelopment *Loane Aueloch for Jim LoBue*  
**DATE:** November 2, 2010  
**SUBJECT:** Professional Services Contract Amendment with MHC NSP, LLC to Provide  
Neighborhood Stabilization Program Services in an Amount not to Exceed \$271,000

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#### ACTION REQUESTED

Approve a resolution authorizing the Purchasing Manager to execute an amendment to a professional services contract with MHC NSP, LLC to provide Neighborhood Stabilization Program services and increase the contract not to exceed amount from \$120,000 to \$271,000.

#### BACKGROUND

The State of California Department of Housing and Community Development (HCD) awarded \$2,046,469 in Community Development Block Grant (CDBG) Neighborhood Stabilization Program (NSP) funds to Placer County. This includes \$872,923 for Placer County, \$505,694 for the City of Rocklin, and \$667,852 for the City of Lincoln. HCD required Placer County to administer the program for all 3 jurisdictions.

MHC NSP, LLC (MHC), a wholly owned subsidiary of Mercy Housing California, was selected to assist the County with implementation of the County and Rocklin allocations of NSP. NSP provides federal funds for the purchase of bank-owned homes for sale or resale to low- and moderate-income households. Funds are allocated to selected cities and counties by HCD. In the past year, your Board has approved several actions to authorize and implement this program, including agreements with Rocklin and Lincoln as required by HCD. The maximum loan the County Loan Committee is authorized to make for both acquisition and rehabilitation is \$300,000. The maximum homebuyer assistance loan is \$150,000. To date the program has successfully acquired and rehabilitated 7 homes.

Earlier this year the County entered into a five-month professional services agreement with MHC for \$44,561 to research and inspect available properties and get the program started for the County and Rocklin NSP allocations. The City of Lincoln hired MHC separately to provide similar services in Lincoln. At that time two types of loans were anticipated: 1) Loans to eligible homebuyers to purchase bank-owned homes in good condition, which could be administered by County staff in the Redevelopment Agency and 2) Loans to non-profits, like MHC, to acquire and rehabilitate bank-owned houses in need of repair. On May 18, 2010, your Board amended this agreement. With that approved increase to \$120,000, MHC has successfully acquired and rehabilitated five houses with NSP Loans totaling \$1,181,916. The locations of these homes are: One in Auburn, two in Foresthill, two in Rocklin. One completed house in Rocklin has been re-sold to a qualified buyer with a homebuyer assistance loan. In Lincoln, under MHC's contract with Lincoln, one loan was to a homebuyer where the house did not

require rehabilitation and two loans were for acquisition/rehab. All were acquired and rehabilitated for less than the maximum amount of \$300,000. For all three jurisdictions, six homes remain to be sold, three of which are under purchase contract. This will generate an estimated \$800,000 in program income. The program income will provide additional loans and provide the funds to pay the MHC contract increase of \$151,000 plus some Agency staff costs. Loans directly to home buyers will be administered by Agency staff.

The NSP Grant Agreement with HCD has budget categories for the costs of evaluating the houses for acquisition, determining the rehabilitation needed, special reports and appraisals, taxes, insurance warranties, holding costs, loan documents, and specifications preparation, selecting qualified contractors, inspections, and preparing the properties for sale. Per the existing MHC contract and as allowed by the NSP Grant Agreement, MHC has received fees up to 8% of the purchase price for acquisition, 8% of the disposition costs, and 19% of the rehabilitation costs. Purchase prices have ranged from \$137,000 to \$264,000 and rehab costs from \$5,000 to \$76,000. Once a property is listed on the Multiple Listing Service and MHC has received an offer from a NSP qualified buyer, County staff qualifies the buyer and processes the loan. The amount of the conventional loan and the down payment is returned to the County and held in a separate NSP program income fund. The program income can be recycled for additional acquisition/rehab or homebuyer assistance for the purchase of bank-owned homes.

The increase of the contract to \$271,000 will allow MHC to assist the County with timely and efficient use of program income. Loans funded with program income can be conducted in NSP eligible areas of unincorporated Placer County, the Cities of Rocklin and Lincoln. Now that the initial grant funds will be spent by the grant deadline, the County is not obligated by the NSP Grant Agreement to use NSP Program Income funds in Rocklin or Lincoln and is now solely responsible to determine where the funds are spent in the three eligible jurisdictions. In consideration of experience with the program and work done by county staff, Mercy has agreed to reduce their charge from 8% to 7% on the activity delivery costs for acquisition.

### **FISCAL IMPACT**

The contract amendment has no impact on the County General fund. Costs will be covered by the County's CDBG NSP Grant and Program Income, which are federal funds from the Housing and Economic Recovery Act of 2008. Since the program is administered by County staff working in the Redevelopment Agency, any administrative time not covered by the NSP Grant and Program Income, is paid by the Redevelopment Agency. The Grant budget includes the funds for the contract and is available in the current fiscal year grants budget. Funds loaned to MHC for the purchase and rehabilitation of houses is not part of this contract, but are loaned separately on each parcel and secured by a deed of trust.

### **ENVIRONMENTAL IMPACT**

This administrative action is exempt from both the California Environmental Quality Act (CEQA Guidelines Section 15061(b)(3)) and the National Environmental Policy Act per 24 CFR 58.35(a) and 24 CFR 58.6.

Attachments: Resolution  
Contract Amendment with Scope of Work and Budget

cc: Karin Schwab, Deputy County Counsel

**Before the Placer County  
Board of Supervisors  
County of Placer, State of California**

**In the matter of:**

Authorizing an amendment to a professional services contract with MHC NSP, LLC to provide Neighborhood Stabilization Program services and increase the contract not to exceed amount from \$120,000 to \$271,000

**Resol. No:**.....

**Ord. No:**.....

**First Reading:** .....

The following Resolution was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held \_\_\_\_\_,

by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Attest:

\_\_\_\_\_  
Chair, Board of Supervisors

Clerk of said Board  
\_\_\_\_\_

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WHEREAS, by Resolution 2009-153 the Board of Supervisors authorized application for, and implementation of, the Community Development Block Grant Neighborhood Stabilization Program;

WHEREAS, the State of California Department of Housing and Community Development (HCD) awarded Community Development Block Grant (CDBG) Neighborhood Stabilization Program (NSP) the following fund allocations to Placer County: the City of Lincoln – \$667,582, the City of Rocklin – \$505,694, and the unincorporated areas of Placer County – \$872,923 for a total of \$2,046,469;

WHEREAS, on November 10, 2009, HCD signed a contract with the County for these funds and required the County maintain and reuse loan repayments in a separate program income fund;

WHEREAS, the County issued a Request for Proposals on June 30, 2009 for assistance in implementation of the NSP;

WHEREAS, Mercy Housing California, acting as its wholly owned subsidiary, MHC NSP, LLC, was selected as the most qualified consultant;

WHEREAS, pursuant to California Environmental Quality Act Guidelines and National Environmental Policy Act regulations, the proposed action to amend a contract is exempt; and

WHEREAS, by Resolution 2010-108 the Board of Supervisors authorized an amendment to a Professional Services Contract with MHC NSP, LLC to provide NSP services and increase the contract not to exceed amount from \$44,561 to \$120,000.

NOW, THEREFORE, BE IT RESOLVED that the Purchasing Manager or his designee is hereby authorized to amend a professional services contract with MHC NSP, LLC to provide NSP services and increase the contract not to exceed amount from \$120,000 to \$271,000.

**Consultant** MHC NSP LLC  
**Project** Neighborhood Stabilization Program  
**Administering Agency:** Placer County Redevelopment Agency  
**Contract Number:** BP017432  
**Contract Description:** Acquisition, Rehabilitation, and Resale of Foreclosed Single Family Homes

**CONTRACT AMENDMENT NO. 5**

THIS AGREEMENT, originally made at Auburn, California, as of **February 11, 2010**, by and between the Placer County Redevelopment Agency ("Agency"), and **MHC NSP LLC** ("Contractor"), and amended on May 18, 2010 (Amendment No. 1), is further amended as follows:

1. **Paragraph 2. Payment.**  
Payment amount is increased by \$151,000 for a new contract amount of \$271,000.
2. **Exhibit B. Payment for Services Rendered.**  
Revised per highlighted and redlined portion.

All other terms and conditions of this agreement shall remain in full force and affect. Loans funded with Program Income can be conducted in the unincorporated areas of Placer County and the Cities of Rocklin and Lincoln.

**PLACER COUNTY REDEVELOPMENT AGENCY**

By: \_\_\_\_\_  
Jim Boggan, Purchasing Manager

Date: \_\_\_\_\_

**MHC NSP LLC**

By: \_\_\_\_\_  
Greg Sparks, Vice President

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Chris Glendel, Vice President

Date: \_\_\_\_\_

## EXHIBIT B

### PAYMENT FOR SERVICES RENDERED

	<b>\$150,000</b>
ACTIVITY DELIVERY	\$ 271,000
	<b>\$150,000</b>
TOTAL BUDGET	\$ 271,000

Payment is based on a total maximum budget of \$271,000 (Two Hundred Seventy-one Thousand Dollars) Direct expenses, if any, are part of the maximum budget and will be negotiated on a case-by-case basis. Any invoices already paid under the contract as first executed February 11, 2010 will be deducted from the activity delivery percentage billing.

#### FEE SCHEDULE

Activity Delivery for due diligence/pre-development purchase and rehabilitation and disposition for additional units, ~~8%~~ 7% purchase activity delivery can be billed when purchase escrow closes. 19% Rehabilitation Activity Delivery can be billed as partial payments based upon the percentage of rehabilitation complete or upon filing Notice of Completion. 8% disposition activity delivery costs can be billed upon close of escrow sale to an eligible buyer.